A Learning Alberta

Investing in Alberta's Advanced Education System

A Companion Discussion Document to
Ensuring Affordability In Alberta's Advanced Education System

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A Learning Alberta

Alberta will be a province where all Albertans have access to higher learning opportunities. It will be a province that aggressively seizes the opportunities of the future by leveraging the skills, talents and imaginations of its citizens. And it will be a province that will enjoy even greater success in the century ahead thanks to a solid foundation and legacy of higher learning that we will create together.

Albertans will be inspired to reach their full potential through advanced learning - to move beyond where they are now to where they can be. But most of all, Alberta will become a true learning province, where advanced education and lifelong learning is the cornerstone of a healthy, prosperous and progressive society.

Dave Hancock, Riverbend Ragg-Times

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1 Introduction

1.1 The *A Learning Alberta* Context

The Minister has initiated a comprehensive review of Alberta's advanced education system. Through *A Learning Alberta,* a new vision and policy outcomes for Alberta's advanced education system will be articulated. The review process provides an opportunity to consider how best to position our system to create a learning society. Pivotal to this review is the key question of how we can ensure opportunities are available for every Albertan to advance their education – to maximize their own potential as well as contribute to society and future generations.

This document provides a context for consideration of key issues related to the provision of funding to public providers of advanced education opportunities. The providers are the foundation of the advanced education system. Ultimately, it is through advanced education providers that we can ensure access to high quality, relevant and responsive learning opportunities.

In addition to access and affordability, quality is also a strategic priority. A highly educated population and superior system are the foundations of innovation and a knowledge-based economy. Through quality instruction, research, innovation, the creation of new knowledge and the provision of relevant high quality programs, we are able to ensure excellence in our graduates to the benefit of all Albertans. And, through a balanced approach to providing resources to the system, we can enhance our capacity for innovation, position Alberta within a global context and support our transition to a knowledge economy.

We must ensure our system can respond effectively to emerging opportunities and challenges. Achievement of desired policy outcomes for the system will, in large part, depend upon our mechanisms for allocating resources within the system. While we need to ensure there is an adequate level of funding to meet policy objectives, we also need to ensure that our funding mechanisms are configured appropriately. The Government of Alberta and providers of advanced education opportunities have an obligation to ensure that public investment in advanced education is maximized. Effectively, over the next decade we will face many challenges as well as opportunities, and we need to be in a position to be able to leverage the full potential of publicly funded providers. It is important to ensure our approach to investing within the system is not static, but allows for resources to be distributed to meet emerging priorities and policy objectives.

This paper serves as a companion document to *Ensuring Affordability in Alberta's Advanced Education System.* In viewing both funding to providers and funding to support learners through a broad lens, it is clear that neither can be considered in isolation; they are the primary levers to promote access, affordability and quality – strategic priorities of Advanced Education. A review of funding mechanisms for

providers of advanced education opportunities must also consider policies regarding tuition, which impacts resources available to public post-secondary institutions. The Alberta government has announced it will pay tuition fee increases for the 2005-06 academic year for students in programs subject to Alberta's two tuition fee policies (post-secondary and apprenticeship), and has committed to developing a new post-secondary tuition fee policy to be implemented by Fall 2006.

1.2 Process and Feedback

This discussion document focuses on obtaining stakeholder feedback on Alberta's current mechanism and policies for investing in the province's advanced education system. The document reviews our current mechanisms for providing institutions and other providers with ongoing and targeted funding, reviews historical mechanisms, and begins the process of identifying key issues for consideration. The feedback from this discussion document will be used in the formulation of recommendations concerning potential changes to Alberta's mechanisms to allocate funding to public providers. Further, the feedback will identify investment priorities to inform future development of Alberta's funding mechanisms, including new envelopes, as well as inform development of the Access to the Future Fund. Feedback will also be used in the assessment of the equity of the current distribution of resources within the system.

Since investing in Alberta's advanced education system must be considered in combination with affordability to the learner, this discussion document and its companion paper on affordability are being presented jointly to provide a comprehensive overview. Together, the responses from these two discussion documents will be used to provide feedback to the *A Learning Alberta* steering committee. This committee was established by the Minister to guide development of a new system vision and policy framework for Alberta's advanced education system. It is anticipated that a preliminary vision and policy outcomes will be presented for validation at the Minister's Forum on Advanced Education, scheduled for the Fall of 2005.

Individuals and groups interested in providing comments to this document may submit responses no later than July 30, 2005 to:

Phil Gougeon
Assistant Deputy Minister
Alberta Advanced Education
7th Floor Commerce Place
10155 102nd Street
Edmonton, AB
T5J 4L5

1.3 Policy Context

The Government of Alberta has made clear its commitment to the province's advanced education system through its twenty-year strategic plan, *Today's Opportunities, Tomorrow's Promise*. The plan recognizes Leading in Learning and Unleashing Innovation as key pillars for Alberta's future growth and prosperity, which necessitates a fundamental role for the province's advanced education system.

Under Bill 1, the *Access to the Future Act*, Alberta is establishing a foundation to guide advanced education into the new millennium. The new Access to the Future Fund will work to increase assistance to learners and investments to providers with the objective of expanding access by 60,000 learning opportunities by 2020.

Our ability to increase participation on this bold scale will, in large part, depend upon our ability to increase participation among disadvantaged Albertans, including Aboriginals, rural populations, the disabled, and others. This depends upon much more than increases in funding to providers and student financial assistance – it depends on our ability to work collaboratively with the entire system to create a learning society and inspire all Albertans with the importance of higher learning.

The Alberta government's *Rural Development Strategy* also recognizes that higher levels of participation and educational attainment in rural areas are fundamental to increasing the capacity of communities to engage in successful social, economic, and community development.

Clearly, it is through the investment and strategies that we establish today that we will create a learning society that sets Alberta apart. We have an obligation to future generations to build that foundation to ensure that all Albertans can maximize their full potential and give back to their communities.

2 Context and Background Information

2.1 The Purpose of Funding Mechanisms

As indicated in the introduction to this paper, the purpose of funding mechanisms is multi-faceted. Simply put, funding mechanisms are vehicles through which investments in the system are made and finite resources are allocated.

An effective funding mechanism will ensure the system can adapt, and respond readily to emerging opportunities and challenges. It will also be structured in such a way that desired policy outcomes are achieved, public investment is maximized, and that the full potential of the advanced education system is leveraged. Therefore, the funding mechanism must provide the right incentives. Ideally, providers of advanced education opportunities have the flexibility necessary to allow for responsive adaptation. At the same time, it should promote innovation and reward excellence.

Although it is important to ensure that our approach to funding allows for a certain amount of stability, it is also important to ensure this approach to investing within the system is not static, but dynamic and allows resources to be distributed to respond to the external environment, meet emerging priorities and meet policy objectives.

Within this context, it is important for us to consider the desired policy outcomes for the system as well as the challenges and opportunities that lay ahead of us. In short, we need to ensure our approach to funding is configured, not to respond to the challenges of the past, but to respond to the challenges and opportunities of the future.

2.2 Principles and Objectives Guiding System Investments

In considering future trends and issues around investing in Alberta's advanced education system as well as potential changes to investment mechanisms, it is important to consider the guiding principles, objectives and desired policy outcomes.

Government funding for institutions and other providers is guided by several core principles that recognize the benefits of advanced education to individuals and to society. This review provides an opportunity to confirm the guiding principles and policy objectives required to create a learning society in Alberta. We seek your feedback on the following draft principles and objectives.

Accessible: investment mechanisms and policies should ensure accessibility, such that all qualified Albertans who are inspired to pursue advanced education studies have the opportunity to do so. In this cont ment mechanisms and incentive structures should facilitate higher level n and educational attainment, particularly among under-represented Al

Accountable: investment m olicies should ensure that results are measured relative to both sy ndividual provider goals and priorities, within the constraint of avail

Collaborative: investment me d policies should enhance collaboration among advanced education providers, th te sector, and non-profit and community organizations, to ensure that resources (funding as well as human and physical infrastructure) are leveraged to their full potential. This principle recognizes that providers and other partners working collaboratively toward the same outcomes are more effective than independent action.

Cost-sharing: investment mechanisms and policies should ensure that both learners and society (taxpayers and the private sector) share the costs of the advanced education system in recognition of the benefits received. This cost-sharing principle underlies Alberta's tuition fee policies (the post-secondary tuition fee policy and the apprenticeship tuition fee policy).

Equitable: investment mechanisms and policies should be equitable, taking into consideration institutional differences such as program mix, size and location.

Innovation and excellence: investment mechanisms and policies should encourage and reward innovation and excellence within the advanced education system through the inclusion of incentive-based funding components.

Practical: investment mechanisms and policies should be practical. Technically complex mechanisms are administratively costly and are not easily communicated to advanced education stakeholders and other Albertans.

Predictable: investment mechanisms and policies should encourage planning that is consistent with system goals and Alberta Advanced Education's business plan. In addition, learners and providers should be given sufficient lead time to deal with intended changes.

Sustainable: investment mechanisms and policies should maximize the return on investment to society and must be sustainable given finite resources. Additionally, these mechanisms and policies should ensure that society's investments in advanced education public assets are maintained for future generations.

2.3 Overview of Alberta's Current Investment Mechanisms

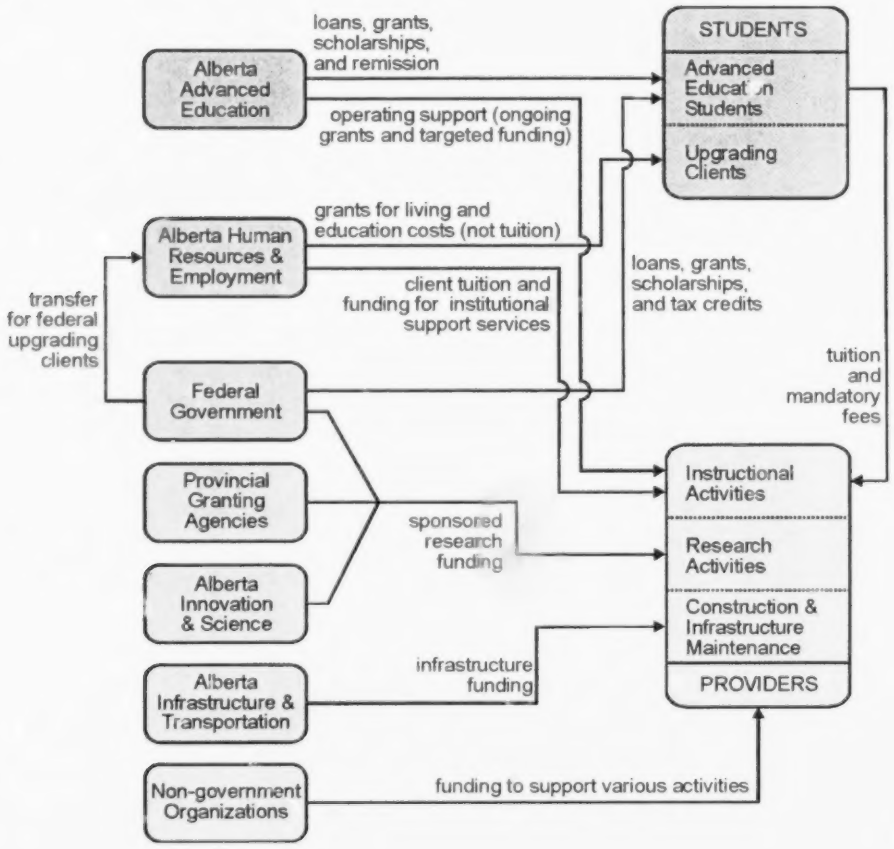
As identified in the diagram on the following page, Alberta's advanced education providers receive core funding from a variety of sources including students (tuition and mandatory fees), government and government organizations (operating support, sponsored research funding, infrastructure funding), and non-government organizations (private sector contracts, donations, etc.). In addition, institutions can also generate their own revenues through activities that include the operation of ancillary services (parking, food services), commercialization of research activity, management of investments, and interest on endowments.

Alberta students receive funding from a range of sources including Alberta Advanced Education (loans, grants, scholarships and remission), Alberta Human Resources and Employment (grants) and the federal government (loans, grants, scholarships and tax credits). Students also secure their own funds through earned income, savings, credit cards, bank loans and family supports. For many students (excluding upgrading clients of Alberta Human Resources and Employment and the federal government), portions of these resources will flow to providers through the payment of tuition and mandatory fees.

2.3.1 Advanced Education Operating Grants

Alberta Advanced Education provides ongoing operating grants to twenty-one public, board-governed institutions (four universities, fourteen colleges, two technical institutes and the Banff Centre for Continuing Education) to support the delivery of credit instruction. Operating grants are also provided to seven not-for-profit private university colleges for delivery of approved, credit degree programs.

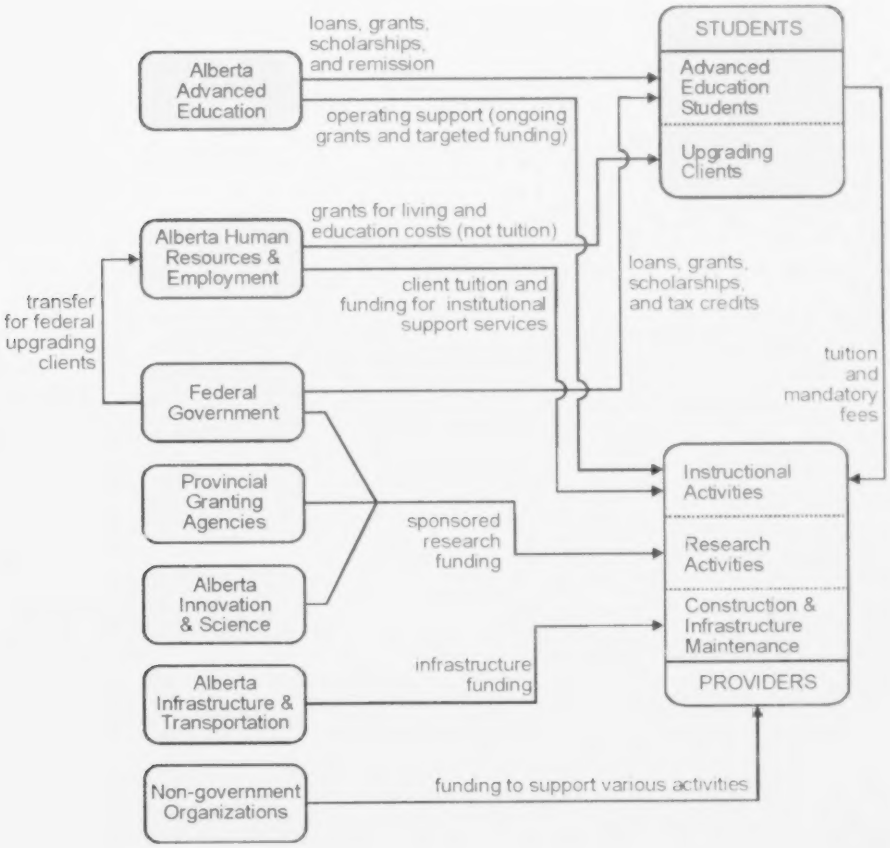
Core Funding for Alberta's Advanced Education System



The seven private university colleges receive grants that are 75% of equivalent funding levels provided to public institutions, in recognition of their privately owned capital assets, their less intensive research activity and their exclusion from Alberta's tuition fee policies. Further, Board members of private university colleges are not appointed by the Minister. Together, the twenty-one public institutions and the seven publicly funded not-for-profit private university colleges comprise Alberta's publicly funded post-secondary institutions.

Alberta's for-profit private institutions do not receive direct funding from Alberta Advanced Education (operating grants, inflationary adjustments or targeted funds). However, these institutions (which include approximately 140 licensed vocational

Core Funding for Alberta's Advanced Education System



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Alberta's for-profit private institutions do not receive direct funding from Alberta Advanced Education (operating grants, inflationary adjustments or targeted funds) However, these institutions (which include approximately 140 licensed vocational

institutions) receive indirect support if their programs of study are designated for student financial assistance. Students receiving student financial assistance will flow their awards (loans, grants and scholarships) from Alberta Advanced Education to private institutions through the payment of tuition and mandatory fees.

It is important to note that ongoing operating grants to institutions are provided as base funding rather than as a per-student amount adjusted annually by enrolment changes. However, periodic reviews of these base-funding amounts have taken enrolment levels into consideration when making funding adjustments (the last funding review was completed in 2000). Ongoing operating grants are institutions' main funding source to support the delivery of credit instruction.

Alberta Advanced Education also provides Alberta's four community consortia with ongoing operating grants. The consortia identify credit learning opportunities relevant to their communities and contract with post-secondary institutions to deliver the learning opportunities locally.

2.3.2 Advanced Education Adjustments for Inflationary Pressures

Subject to the availability of resources, ongoing operating grants have normally been adjusted to accommodate inflationary pressures. Salaries make up approximately 70% of providers' costs; therefore, inflation is largely dependent upon faculty and support staff salary settlements. Adjustments for inflation are made across-the-board (to all institutions equally), and are rolled into institutions' ongoing operating grant in the subsequent year. Community consortia operating grants have also been adjusted for inflationary pressures when resources are available.

2.3.3 Advanced Education Targeted Funding

Alberta Advanced Education currently provides targeted funding through two funding envelopes (the Access Fund and the Performance Envelope), grants for community education providers (these community program grants help providers deliver non-credit programs to adult learners interested in improving their foundation skills), and grants for operation of new facilities (these funds are subsequently rolled into institutions' ongoing operating grant). Ongoing funding was also provided for enrolment growth above Access Fund supported enrolments; however, this program will be discontinued starting in 2005-06.

In addition to the above, the Access to the Future Fund is a new targeted funding envelope expected to provide funding to Alberta's advanced education system starting in 2006-07. Among other broad policy objectives, this endowment fund (targeted to reach $3 billion) is intended to improve learning and teaching quality, attract and retain faculty and graduate students, foster innovation and application of new knowledge to the benefit of communities, and improve student financial assistance.

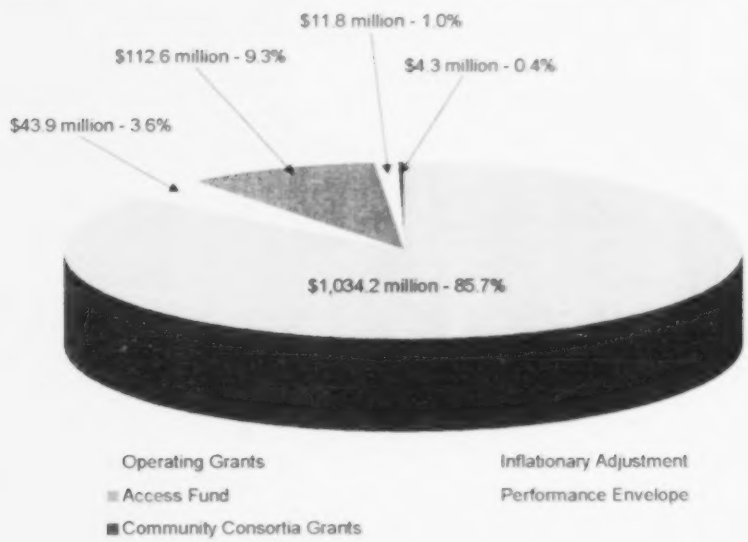
Alberta's Access Fund provides funding to support the creation of new credit program spaces in selected priority areas. As it is currently configured, this requires the identification of priority areas that will be funded. All publicly funded post-secondary institutions can submit funding proposals. Access Funding may include ongoing operating funding (on per student basis), as well as one-time or ongoing capital funding (equipment). Once new program enrolments have stabilized, the funds are rolled into institutions' ongoing operating grant.

As a basis to reward outcomes, the Performance Envelope rewards publicly funded post-secondary institutions with one-time funding based on institutions' performance as determined by results achieved on a set of performance indicators. These performance measures are intended to reflect results achieved across system policy outcomes, such as access, program quality, and research excellence.

Community program grants help a variety of organizations support non-credit learning opportunities for adult learners interested in improving their foundation skills. Examples include grants to support the delivery of occupational enhancement, English as a second language, and adult basic literacy courses to recent immigrants.

As identified in the figure below, based on 2004-05 data, ongoing operating grants comprised 85.7% of total funding provided by Alberta Advanced Education to support the delivery of credit instruction. The Access Fund and inflationary adjustments were the next largest components at 9.3% and 3.6% of total funding respectively, while the Performance Envelope and community consortia grants comprised the remainder of funding (1.0% and 0.4% respectively).

Alberta Advanced Funding to Support Credit Instruction (2004-05)



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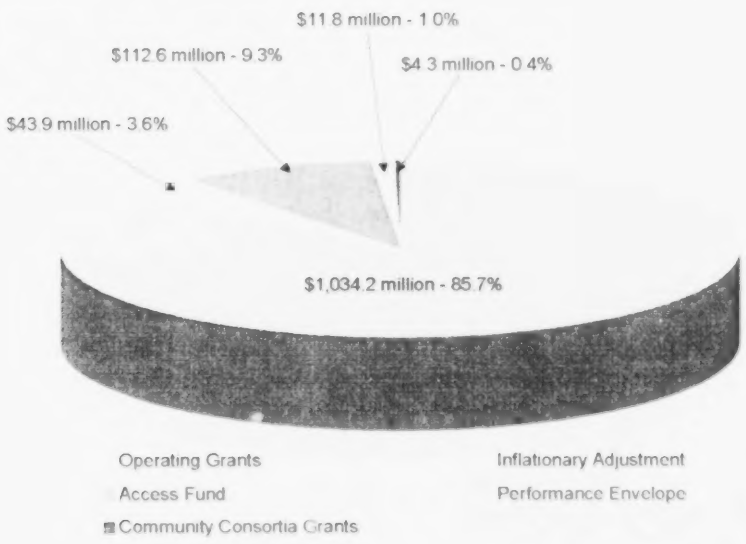

2.3.4 Other Provincial Funding Sources

Alberta Advanced Education provides funding to providers to support the delivery of credit instruction (and limited non-credit instruction for community program supported groups). However, institutions receive funding from a number of other provincial sources to support activities such as new construction, infrastructure preservation, infrastructure renewal, courses and programs for specific client groups, and sponsored research.

Alberta Infrastructure and Transportation provides institutions with one-time funds to support capital expansion, preservation and renewal projects as well as ongoing funds for infrastructure maintenance (the Infrastructure Maintenance Program). Alberta Human Resources and Employment (AHR&E) provides institutions (generally public colleges that provide upgrading/skills programs as well as private vocational colleges) with funds to cover tuition costs for their clients (tuition generally covers full program delivery costs at private institutions but partial delivery costs at publicly funded institutions). Additionally, AHR&E provides institutions with funds to maintain support services and programs (counseling, tutoring, etc.) that help AHR&E clients succeed in the learning environment.

Alberta Innovation and Science administers a number of programs that support sponsored research at Alberta institutions (primarily universities), including the Research Excellence Envelope. Similarly, two provincial granting agencies, The Alberta Heritage Foundation for Medical Research and the Alberta Heritage Foundation for Science and Engineering Research (the Ingenuity Fund), use interest revenue from their endowed funds to provide sponsored research funding to Alberta institutions.

Additional minor funding is provided by other provincial ministries including Alberta Education, Alberta Agriculture, Food and Rural Development, and Alberta Health and Wellness to support specific projects.

2.3.5 Federal Funding Sources

The Government of Canada provides substantial direct funding to Alberta institutions to support sponsored research (specific research projects as well as other initiatives such as the Canada Research Chairs program). In addition, the federal government provides direct funding to cover tuition costs for Employment Insurance clients taking courses or programs of study at Alberta advanced education institutions. This funding is administered by AHR&E, and includes funds provided to Apprenticeship and Industry Training students. Indirect funding to support advanced education is also provided by the federal government through the Canada Social Transfer program.

2.4 History and Rationale for Current Investment Mechanisms

Alberta's current structure of operating grants, inflationary pressures and targeted funding envelopes has evolved extensively over the last several decades.

Prior to 1976-77, university operating grants were provided on an enrolment-based formula that recognized differences in instructional costs among programs. This is what is normally referred to as an enrolment-weighted formula. Effectively, under an enrolment-weighted formula, there are a several different rates depending upon the program area. In general, rather than providing funding for enrolment increases only in priority areas, incremental funding is provided for all enrolment increases.

Over the same period, college and technical institute operating grants were provided based on a budget review and assessment of actual enrolments relative to enrolment targets (college operating grants also included Trades and Manpower grants for federal-provincial vocational training agreements). Other funding was also provided to institutions to recognize special circumstances (such as new programs). In addition to these funds, infrastructure funding was provided to support both new construction and capital renewal (renewal funds were formula-driven).

Starting in 1976-77, the universities' enrolment-driven operating grants were increased 5% and converted to base operating grants (non-formula), while the college's approved budgets (based on 1975-76 enrolments) were also converted to base operating grants. This change was made because enrolment growth was slowing and growth-related issues were being replaced with concerns over equity. Ongoing special circumstances grants continued to be carried forward from 1975-76.

Under this new model, supplementary funding was provided to support new programs, the operation of new facilities and to recognize special circumstances (strong enrolment growth, institutional development, institutional size and other circumstances). Funds for new facilities and select special circumstances would be rolled into institutions' base operating grant in the subsequent year while new program grants would be rolled into base once the programs became stable. Other special circumstances grants would not be rolled into base but provided as one-time funding only.

Base operating grants were also adjusted (equally across all institutions) by a price adjustment factor in recognition of economic circumstances. This factor continues today as Alberta Advanced Education's adjustment for inflationary pressures.

In 1980, an Endowment and Incentive Fund was established to encourage the private sector to support Alberta's advanced education system by making matching donations to institutions. The fund initially focused on large infrastructure projects and equipment needs beyond the basic needs of institutions. However, in later years the fund focused on

supporting more basic infrastructure needs as well as scholarships and other special purpose endowments. Upon reaching its objective of increasing private sector support for Alberta's advanced education system, the fund was discontinued in 1992-93.

In 1982-83, a new targeted funding envelope was created to recognize enrolment changes above a base year of 1981-82. This envelope, the Supplementary Enrolment Fund, provided per-student funding (marginal rather than full-cost funding) based on institutional enrolment increases. These funds were reviewed each year and remained outside of base operating grants. In 1991-92 funding for the Supplementary Enrolment Fund was capped and then rolled into institutions' base operating grant in 1993-94.

In 1987, Alberta's investment mechanisms and policies were reviewed by Dr. J. Stefan Dupré. Although Dr. Dupré determined that the mechanisms and policies in place at the time were responsive to institutional needs and essentially equitable, he made several recommendations for grant adjustments to address specific equity concerns at select institutions.

In 1990-91 Alberta's formula-driven capital renewal fund was modified to block funding and provided to institutions without conditions, based on 1986-87 funding levels. This change was made as a result of budget constraints.

Funding of Alberta's advanced education system changed substantially in 1993-94. The capital renewal fund and other ongoing grants (such as the Supplementary Enrolment Fund) were rolled into institutions' base operating grant. This combined amount was then decreased over a three-year period (1994-95 to 1996-97) by 21%, as part of government's financial restructuring program. Government also adopted an enrolment corridor policy of holding-back the new base operating grant if institutions' enrolments decreased beyond a set amount. The combined base operating grant established in 1993-94 is the current ongoing operating grant provided to Alberta's publicly funded post-secondary institutions.

Additionally, during the financial restructuring program of the mid 1990's, five funding envelopes were established to channel new funds towards specific policy objectives. Two of these, the Access Fund (established in 1994-95) and the Performance Envelope (established in 1997-98), continue to be administered by Alberta Advance Education.

The other three envelopes were established in 1996-97. The Learning Enhancement Envelope was created to support integration of technology into the learning-teaching process (to enhance quality and distance delivery capabilities), the Research Excellence Envelope was created to provide new investments to support quality research outcomes, while the Infrastructure Renewal Envelope was created to support equipment and facility

renewal. Both the Learning Enhancement Envelope and the Research Excellence Envelope awarded funds on a competitive basis while the Infrastructure Renewal Envelope awarded funds on a formula-driven basis.

Due to budget considerations and achievement of its goals, the Learning Enhancement Envelope was discontinued at the end of 1999-00. The Research Excellence Envelope was transferred to Alberta Innovation and Science in 2000-01 while the Infrastructure Renewal Envelope (facility renewal) was transferred to Alberta Infrastructure and Transportation in 2000-01 (this envelope is now called the Infrastructure Maintenance Program).

In 2000, government established an MLA committee to review Alberta's investment mechanisms and policies for publicly funded post-secondary institutions. A key objective of this committee was to review equity of the distribution of resources within the system. The MLA committee made a number of recommendations, all of which were implemented by government. Among others, they included:

- providing one-time equity adjustments to ongoing operating grants at select institutions;
- providing one-time adjustments to ongoing operating grants to address faculty attraction and retention challenges;
- completing regular reviews (every five years) of ongoing operating grants;
- reviewing the post-secondary tuition fee policy;
- providing annual adjustments to ongoing operating grants to recognize inflationary pressures (subject to availability of resources);
- providing annual per student funding (marginal cost basis only) adjustments to ongoing operating grants to recognize enrolment growth above Access Fund enrolments (subject to availability of resources); and
- modifying the annual Performance Envelope from an on-going funding award (partially used to address inflationary pressures) to a one-time funding award focusing on the reward of excellence (subject to availability of resources).

The recommendations from this MLA committee essentially formed the basis for Alberta's current investing mechanisms of ongoing operating grants, operating grant adjustments to address inflationary pressures, and targeted funding envelopes (Access Fund, Performance Envelope, Research Excellence Envelope and the Infrastructure Maintenance Program). Since 2000, Alberta Advanced Education has also implemented one-time funding programs to address urgent cost pressures such as utility expenses and operations and maintenance concerns.

3 Challenges and Opportunities

As indicated in earlier sections, an effective funding mechanism is a reflection of the environment in which it operates. It is important that funding mechanisms and policies allow providers to respond to emerging priorities, challenges and opportunities.

All of the issues described below have significant implications for future investment and resource allocation strategies. This list is not meant to be exhaustive, but to capture some of the larger challenges facing Alberta's advanced education system.

3.1 Demographic Changes

Alberta's lower natural growth rate suggests that over the long-term Alberta will be almost entirely dependent on inter-provincial and international migration for population growth. For the 18-24-age cohort (the cohort traditionally associated with advanced education attendance), growth is expected to continue through to 2009. Relative to the non-Aboriginal population, the Aboriginal population will have continued strong growth, which will change the demographic mix of the school age population as well as anticipated program needs.

As the overall population of Alberta's 18-24 age cohort begins to decrease and demand for skilled labour continues to grow, our focus will need to shift toward meeting the re-skilling needs of mature learners, at the same time as enhancing the participation levels of those traditionally under-represented within the system. In what ways can Alberta's investment mechanisms, incentive structures and policies be modified to support this shift in emphasis?

3.2 Changes in Learner Characteristics

Students are increasingly likely to come from a variety of backgrounds and circumstances including mature, married, single parent, immigrant, disadvantaged, and Aboriginal students. The range of potential barriers as well as supports and incentives necessary to ensure participation and success will also be diverse. It will be essential to ensure that our student assistance programs for example, are configured to meet the emerging needs of students. It will be increasingly important to ensure that programs are more broadly available and respond to a diverse student population.

Additionally, rural development should be taken into consideration when designing the new system direction. A greater application of technology should help facilitate the delivery of more programs to those rural students who are technologically engaged. How can Alberta Advanced Education and providers align efforts toward the identification and removal of barriers which presently act as deterrents to students?

3.3 Responding to Skills Shortages and Enhancing Educational Attainment

With low fertility rates and aging populations, reduced international and international migration, knowledge economies will face greater competition for skilled workers. Given Alberta's rapidly expanding economy, a key challenge will be to respond to skills shortages across industries and occupations. Given economic conditions, some individuals prefer to secure employment without necessarily attaining a post-secondary level of educational attainment. In fact, Alberta has the highest level of labour market participation in the country. Often, this provides individuals with needed practical skills and puts them in a better position to formulate their future career aspirations.

At the same time, while there is a need to meet short-term economic pressures, there is also a need to ensure that we are looking to the long-term as well – such that Alberta is equipped to compete within an increasingly competitive and global context. It is also important to ensure that we are transitioning to a knowledge economy. Over the longer term, this requires a high level of educational attainment for all Albertans.

Additionally, it will be increasingly important to engage community organizations and the private sector in the achievement of positive learning outcomes. Future success will necessitate strong linkages and a collaborative effort. For example, this may mean increasing the extent and range of cooperative education programs, investing in training and apprenticeship opportunities, engaging communities to identify needs and new resources, and developing a closer relationship with the private sector such as through applied research activities.

Alberta also needs to be in a position to leverage private sector technology and investment through new partnership arrangements. In what ways can government work with industry and other partners to balance short-term economic growth interests with long-term economic interests? How can we encourage increased involvement and investment in Alberta's advanced education system to respond to expected labour and skills shortages?

3.4 Leveraging the Full Potential of the System

In addition to ensuring our funding mechanisms allow advanced education providers to be responsive to emerging opportunities and challenges, it is also important to ensure that our system itself is appropriately configured to meet future challenges and opportunities.

Alberta's post-secondary system is diverse. It consists of twenty-one public, board-governed institutions and seven (not-for-profit) private university colleges. Under the *Post-secondary Learning Act*, the mandates of Alberta's public post-secondary institutions are approved by the Minister. The mandates specify the clients to be served and the programs to be offered. In addition, there are four community consortia established to serve communities by arranging credit programs in regions without a strong post-secondary presence. The Community Programs Branch provides grants to a

variety of organizations, including eighty-three community adult learning councils, which provide support for non-credit learning opportunities for adult learners interested in improving their foundation skills.

Over the next decade, changes to Alberta's demographic environment and learner profile will have a significant impact on our system, including required programs, regional demand pressures, and potentially, the mandates of public institutions. We need to ensure that we have the right mix of programs and that mandates will align with future demand. Technology will also have an impact on the system. What in the past could be achieved through investment in bricks and mortar, could in the future, be achieved through strategic application of technology.

Currently, there are many players (including different levels of government and departments) providing investments within the system for learning opportunities, technology, sponsored research, research chairs, physical infrastructure and equipment. This adds to the complexity involved in system planning. What recommendations can be made concerning ongoing and future development of the system, including roles and mandates of public institutions, to allow the system to successfully respond to future challenges and opportunities?

3.5 Increased Community Role of Rural Institutions

Alberta's rural post-secondary institutions are in a unique position to support community and economic development as well as community renewal. As providers of advanced education, rural institutions develop human and social capital and provide learners with skills required by regional labour market needs. However, rural institutions face a number of challenges including a diverse and scattered regional population, changing labour markets, and regional populations with varied barriers to participation.

To overcome these challenges it will be imperative for rural institutions to work closely with other partners within their respective communities – including working closer with basic education providers, Aboriginal communities, literacy groups, other community-based organizations, and local industry. What investment mechanisms and policies would support increased integration of rural institutions into their regional communities?

3.6 Priorities for the Access to the Future Fund

As a component of Bill 1, the *Access to the Future Act*, the Government of Alberta announced creation of an advanced education endowment fund (the Access to the Future Fund) to support enhancements to Alberta's advanced education system (enhancements beyond core system business). Disbursements from the fund are expected in 2006-07. Given the wide range of expected challenges, what are your recommendations concerning how funding can be allocated to leverage the full potential of the endowment?

3.7 Globalization

Globalization brings increased competition and the need to ensure that Alberta graduates and the province's private sector have the skills required to compete and innovate internationally. Advancement into a knowledge economy has increased the breadth and diversity of advanced education programs offered in Alberta. This has implications for program approval, accountability, and ensuring program quality and integrity. As well, it is becoming increasingly difficult for students and their parents to make informed choices regarding their program of studies. Increased programming also reinforces the need for strong accountability mechanisms.

A further dimension of globalization is that Alberta's businesses and industry sectors will need to compete within an international context. Alberta's private sector consists mostly of small and medium enterprises. Competing successfully internationally may necessitate a collaborative approach among business. Post-secondary institutions also have a role to play, working with business, to identify people needs, enhance management capacity, market Alberta's advanced education programs, and identify market opportunities. What are the opportunities and challenges presented by globalization and what are the implications for the advanced education system?

3.8 International Student Tuition

Alberta's current post-secondary tuition fee policy requires institutions to charge international students a minimum 100% tuition fee differential. The principle behind this requirement is that international students do not contribute to the tax base that supports the advanced education system to the same degree as other learners, and should therefore make higher personal contributions to the costs of their education.

Recent federal changes now allow international students to work off campus while in school, and allow them to remain in Canada for two years after graduation. With this change, there is a greater likelihood that some of these individuals will remain in the country beyond that two-year period. Under any circumstance, those who remain in Canada contribute to the tax base.

It is also increasingly recognized that international students serve as ambassadors to Canada when they do return to their home countries. This is recognized in Alberta's international education and economic strategies. These individuals as well as their home countries are more likely to develop stronger trade relations with Canada in the future. Given the need to establish a strong international presence within Alberta's post-secondary institutions and in recognition of the contribution that is made by international students toward Alberta's future growth, are there suggested changes to Alberta's policies and programs pertaining to international students?

3.9 Apprenticeship and Industry Training Challenges

Alberta's apprenticeship and industry training (AIT) system is facing a number of unique challenges including high program delivery costs, substantial fixed costs, reliance on equipment intensive programs (with high replacement costs), the ability to ensure effective utilization of training facilities (due to the short, eight-week technical training component), and enrolment volatility that is driven in large part by provincial economic conditions.

In addition to these challenges, when considering new AIT programs or program expansion, providers must balance high program cost requirements with limited tuition revenues, available Access Fund grants, and other sources (including industry support). In 2004-05, apprentices taking a standard eight-week technical training component at an advanced education provider paid tuition fees of $650, reflecting approximately 15% of the costs of providing those programs.

There is also a challenge in providing technical training opportunities in those communities and regions that require certified tradespeople. The large majority of technical training for all trades occurs in Edmonton (NAIT) and Calgary (SAIT), yet many job opportunities in various trades are located in Alberta's rural and remote locations.

The potential to provide more and varied technical training opportunities at regional providers would help solve this challenge and promote rural economic development - but this is hampered by high program delivery costs, substantial equipment needs and economies of scale requirements that favour larger communities and providers. What recommendations can be made concerning AIT's funding challenges including their substantial equipment requirements? Are there ways that government and providers can better collaborate with industry to increase technical training opportunities in communities where certified tradespeople are in short supply? Are there ways providers can better collaborate with one another to increase technical training opportunities in outlining communities?

3.10 Leveraging Resources

As indicated in earlier sections, one of the purposes of funding mechanisms is to ensure that there is a return on investment and that resources are being leveraged to their full potential. Existing collaborative activities include program brokering as well as distance delivery initiatives such as Alberta-North and eCampusAlberta. No doubt there are many other opportunities. A further example includes the initiative to establish a common application system as part of Bill 1.

It is important to ensure that physical infrastructure is utilized effectively. There may be opportunities for increased collaboration and sharing among providers to ensure that resources, including human and physical infrastructure, are used to their full potential.

This may include a common or shared technological platform among providers. It may include a common human resource services effort, financial services, or enrolment management systems. In addition, there may also be opportunities respecting the development of programs. Are there more opportunities to share curricula across institutions and programs? What changes can be made to allow for greater leverage of existing resources?

3.11 Changes in Learning Technology

Advances in communications technology have created the potential to significantly enhance access to Alberta's advanced education system. Technology has allowed for a more flexible approach to learning including the ability to bridge limitations posed by geography and time. At the same time, technology has also increased learners' potential exposure to programs of lower quality from outside Alberta.

Further, as the need for a more flexible advanced education system grows, program delivery will become increasingly dependent on technology. The need for equipment and curriculum development to meet these new challenges can be expected to grow. What are the challenges and opportunities posed by advancements in learning technology? How can technology be applied to allow for enhancements to access and quality?

3.12 Innovation and Knowledge Development

Canada lags other countries in its overall level of research and development and productivity. Compared to other provinces, Alberta's level of research and development is highly dependent on public rather than private research. This reliance on public research, in particular the substantial increase in sponsored research activity at Alberta's universities in recent years, has contributed to pressures on institutions as they attempt to balance resources among instruction, research, and equipment needs for both these activities. Compounding this challenge is the complexity of research funding sources – with a variety of organizations and governments supporting Alberta's innovation and knowledge development agenda.

Despite this complexity, Alberta's capacity for innovation must be expanded, which means there is a greater need for advanced education institutions and business to work more closely, and for colleges and technical institutes to increase their applied research capacity.

Innovation and knowledge development is not just about ensuring higher levels of research, it is also about ensuring that graduates have relevant and quality skills that they can bring to the work force. It is about creating a culture of innovation and creativity. It is important to ensure that the new knowledge that is created within our post-secondary institutions can benefit all Albertans. This means that new knowledge must be

transferred. It requires a substantial level of communication between individuals in the public and private sectors. What changes can be made to make Alberta a national and international leader in innovation and knowledge development?

3.13 Post-secondary Tuition Fee Policy Coverage

Alberta's post-secondary tuition fee policy regulates tuition fees for most students taking credit programs (there are limited exceptions within the current policy) whereas students in non-credit programs fall outside of policy. The decision to make programs credit or non-credit is at the discretion of each institution – as a result, credit programs at one institution may not be credit programs at another. This inconsistency has created some degree of confusion for students, and makes the current policy administratively challenging for Alberta Advanced Education.

Additionally, the policy does not regulate students taking courses or programs supported by a third party. Often this third party will be the student's employer, who pays tuition costs for that student that in most cases represent the full cost of offering the program. Although third party contracts are not regulated by Alberta's current post-secondary tuition fee policy, are there ways the policy can be made more entrepreneurial by encouraging greater private sector involvement in the training and skills upgrading of Alberta's workforce? Further, should coverage of the current policy be broadened to simplify and reduce inconsistency? Would it be beneficial to broaden the policy to include all advanced education programs where student financial assistance is available to eligible students?

3.14 New Infrastructure and Infrastructure Renewal

Alberta's investment in its advanced education facilities currently exceeds $5 billion. However, further investment is required to allow for more effective utilization.

The ability to maintain existing infrastructure must be balanced by the need for functional renewal of facilities to meet the changing needs associated with new programs. While it is important to ensure that funding is available to provide for new facilities, it is also important to ensure that adequate resources are available to allow for the maintenance and renewal of existing facilities. At the same time, to ensure sustainability of the infrastructure, it is important to consider alternative vehicles to finance facilities, as well as alternative delivery mechanism. What steps can be taken to ensure that institutions' facility maintenance and renewal requirements are properly balanced with the need for new facilities?

3.15 Access Fund Investments

The Access Fund provides funding to Alberta's publicly funded post-secondary institutions to support creation and expansion of credit enrolments in priority program areas. The fund works to meet broad system-wide objectives over both the short and long-term, while also ensuring that credit enrolment growth is accommodated across a variety of program areas and credentials (certificates, diplomas and degrees) at institutions across Alberta. Are there opportunities to improve the Access Fund to better meet these varied system objectives? What recommendations can be made to ensure the Access Fund is best positioned to address future system challenges such as skills shortages and changing learning technologies?

4 Key Questions

As mentioned in the introduction, the purpose of this document is to obtain stakeholder feedback on how to enhance the investment that society makes in Alberta's advanced education system. To help guide written submissions prepared in response to this document, key questions are identified below. These questions do not relate to any single issue discussed above but have implications for all issues identified in the document.

1. Do the challenges and opportunities discussed in Section 3 represent the key priorities that need to be considered in a discussion around investing in Alberta's advanced education system? If not, what are the additional challenges and opportunities? Are any of them more critical than others?
2. Is the current set of investing principles appropriate given the challenges and opportunities identified in Section 3? If not, what changes should be made to the principles that guide the funding of advanced education providers?
3. What are the strengths and weaknesses of Alberta Advanced Education's current approach to funding advanced education providers? If there are weaknesses, how can they be addressed to ensure system goals are met?
4. Are there ways that Alberta Advanced Education can improve its collaboration with other ministries that invest in the system to ensure that stakeholders' needs are better met?